

PUBLIC DISCLOSURE

May 25, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TREMONT CREDIT UNION

150 GROSSMAN DRIVE
BRAINTREE, MA 02184

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Tremont Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The primary factors supporting the Credit Union's overall rating include:

Tremont Credit Union's net loan-to-share ratio for the period of June 30, 2003 through March 31, 2005 averaged 93.8 percent. This positive ratio indicates a willingness to meet the credit needs of its membership.

The distribution of credit to borrowers of different income levels showed satisfactory performance. Low and moderate-income borrowers represented 54.0 percent of a sample of consumer loans and 33.7 percent of the loans reportable under the Home Mortgage Disclosure Act ("HMDA") purchased within the examination period.

The Credit Union has not received any CRA related complaints since the prior examination. Tremont Credit Union's fair lending performance was found to be satisfactory at this time.

PERFORMANCE CONTEXT

Description of Institution

The Credit Union was originally established in 1952 as the Boston Teachers Federal Credit Union, serving only Boston Public School Teachers. Tremont Credit Union, formerly known as Massachusetts Federal Credit Union, was chartered under the Commonwealth of Massachusetts on April 1, 1998. The Credit Union has experienced several name changes as the result of mergers between other institutions as well as changes in its eligible membership. The field of membership is diverse with roughly 253 groups, including people who live, work, or worship in Suffolk County. The Credit Union currently serves 29,543 members.

The Credit Union operates from five locations with 47 full and part time employees. Its main office is located at 333 Longwood Avenue in Boston and the operations center is located in the Braintree Executive Park at 150 Grossman Drive in Braintree. There are three full service offices located in Boston, one in Stoneham and a branch in North Quincy.

On March 31, 2005, Tremont Credit Union had total assets of \$162.7 million. Approximately, 80.2% of total assets were in the form of loans. The Credit Union offers a wide range of loan products, including first and second mortgages, home equity lines of credit, new and used automobile loans, secured and unsecured personal loans, recreational vehicle loans, tax loans, vacation loans, and credit card loans.

The following chart illustrates the composition of the loan portfolio as of March 31, 2005

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	84,062,032	63.8%
New Vehicle Loans	16,170,911	12.3%
Other Unsecured Loans/Lines of Credit	14,477,477	11.0%
Real Estate Loans/Lines of Credit	7,501,180	5.7%
Used Vehicle Loans	5,638,649	4.3%
Unsecured Credit Card	3,559,405	2.7%
Other Loans/Lines of Credit	310,583	0.2%
Total Gross Loans	131,720,237	100%

Source: NCUA Report of Condition

Residential lending is the Credit Union's primary loan focus and represents 63.8 percent of the total loans. Tremont Credit Union is primarily a portfolio lender but it also sells loans on the secondary market. Tremont Credit Union did not sell any loans in 2003. However, in 2004 the Credit Union sold 16 loans totaling \$2,654,613 to Members Mortgage Company ("Members"). Mortgage products are underwritten by Members and approved by the Credit Union's Credit Committee and its Board of Directors.

PERFORMANCE CONTEXT (CONTINUED)

Description of Institution (Continued)

Tremont Credit Union also offers low cost checking and savings accounts to its members. Its Basic Checking Account does not charge a monthly fee or require a monthly balance as long as the member has direct deposit or payroll deduction. The first 5 ATM transactions are free; each additional transaction is \$1.00 and debit transactions are unlimited. Without direct deposit, members whose average monthly balances are under \$500 are charged a \$5.00 monthly fee. The Basic Savings account requires a \$25.00 minimum balance with no monthly fee.

For the convenience of its membership, the Credit Union provides a 24 hour audio response where members can access their accounts over the telephone. In addition, its web site, www.TREMONTCU.ORG provides the latest rates, and information about the Credit Union. The site also features a loan payment calculator, links with other sites and provides loan application forms. Members can also receive information through the Internet at INFO@TREMONTCU.ORG.

Description of Assessment Area

According to the CRA regulation, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to delineate its membership as its assessment area. Tremont Credit Union has defined its assessment area in this manner.

Tremont Credit Union's field of membership extends to individuals affiliated with or employed by 253 various groups and entities and their immediate families as identified in the credit union's by-laws. These groups and entities include a variety of both public and private educational institutions; non-profit and social service agencies; government agencies; medical facilities; manufacturers; service related businesses; museums; and unions.

PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT ANALYSIS

An analysis of Tremont Credit Union's net loan-to-shares and deposit ratio was performed using National Credit Union Administration ("NCUA") quarterly call reports from June 30, 2003 through March 31, 2005. This analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its membership. For the period reviewed, the Credit Union's net loan-to-shares ratio has averaged 93.8%. The ratio has fluctuated from a low of 74.7% on June 30, 2003 to a high of 101.7% on September 30, 2004.

The following graph illustrates the net loan-to-share trends for the period under review.

TREMONT CREDIT UNION Net Loan-To-Share and Deposit Ratio June 30, 2003 through March 31, 2005	
June 2003	74.7%
September 2003	91.5%
December 2003	94.4%
March 2004	94.4%
June 2004	99.1%
September 2004	101.7%
December 2004	99.3%
March 2005	95.5%

The Credit Union has grown from approximately \$155.9 million as of June 2003, to \$162.7 million as of March 2005. Loan growth has significantly outpaced share growth over this period of time resulting in an increase of the net loan-to-share ratio. In fact, loan growth has increased approximately 31.7%, while deposit growth has increased only 3.1%. Based on the percentages the net loan to deposit ratio exceeds the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA regulation, a credit union whose by-laws are not based on residence may define its assessment area as its membership. Because a membership defined assessment area does not consider any fixed limits based on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

PERFORMANCE CRITERIA (CONTINUED)

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of Tremont Credit Union's purchased residential mortgage loans and a sample of consumer loans for the period January 1, 2003, through December 31, 2004, were conducted to determine the distribution of credit based upon the income levels of borrowers. The majority of the purchases loans were within the Boston Metropolitan Statistical Area ("MSA"); however, loans were also purchased in the Cambridge-Newton MSA, the Lawrence MSA, the Lowell MSA, the Worcester MSA, the Barnstable MSA, the Brockton MSA and the Providence MSA. These loans were categorized by the ratio of the applicant's reported income to the estimated 2003 and 2004 median family incomes for the respective MSA. The median 2003 and 2004 incomes for the various MSA are depicted in the following table. These income figures are based on estimated data from the Department of Housing and Urban Development ("HUD").

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new metropolitan statistical area boundaries, which were then updated and became effective January 2004. The application of OMB's 2000 standards will result in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/Metropolitan Division boundaries that impact 2004 data.

MEDIAN FAMILY INCOME

MSA	2003	2004
Boston-Quincy	\$80,800	\$75,300
Brockton	\$70,300	-
Essex	-	\$76,000
Lawrence	\$74,300	-
Cambridge-Newton	-	\$86,600
Lowell	\$79,700	-
Providence	\$58,400	\$61,300
Worcester	\$68,000	\$69,900

Source: HMDA Data

Low income is defined by the U.S. Census Bureau as income below 50% of the median family income level for the MSA. Moderate income is defined as income between 50% and 79% of the median family income level for the MSA. Middle income is defined as income between 80% and 119% of the median family income level for the MSA. Upper income is defined as income greater than 120% of the median family income level for the MSA.

Tremont Credit Union purchased a total of 403 HMDA-reportable loans from January 1, 2003 through December 31, 2004. HMDA-reportable loans consist of home purchase and home improvement loans, including refinances of one-to-four and multifamily (five or more) properties. In 2003, the Credit Union purchased 303 HMDA reportable loans and in

PERFORMANCE CRITERIA (CONTINUED)

2004 the Credit Union purchased 100 HMDA reportable loans. The decrease in loans in 2004 is attributed to the rising rate environment where fewer borrowers are refinancing their mortgages. In addition, the Credit Union has been re-balancing its loan portfolio by not purchasing as many fixed-rate loans.

Loans to low income borrowers represented 4.7% of the total number of HMDA reportable loans. In addition, loans to borrowers of moderate-income represented 29% of the total number of loans. Loans extended to borrowers of middle-income represented the largest individual category with 35%. Loans extended to borrowers of upper income represented 30.8%. These favorable percentages indicate willingness by the Credit Union to extend credit to borrowers of all income levels.

Refer to the following table for a complete breakdown.

PURCHASED LOANS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	#	%	#	%	#	%
<50%	13	4.3%	6	6.0%	19	4.7%
50% - 79%	80	26.4%	37	37.0%	117	29.0%
80% - 119%	113	37.3%	28	28.0%	141	35.0%
120% >	95	31.4%	29	29.0%	124	30.8%
NA	2	0.6%	-	-	2	0.5%
TOTAL	303	100.0	100	100.0	403	100.0

Source: 2003 and 2004 HMDA Data

An additional review of the total dollar amount of HMDA reportable loans for the same period was also performed. The dollar amount figure was fairly consistent with the number of loans within the assessment area. A total of \$82,362,000 in HMDA reportable loans was purchased over the past two years. Of these loans, \$19,852,000 or 26.8% were purchased to borrowers of low and moderate-incomes.

PERFORMANCE CRITERIA (CONTINUED)

Refer to the following tables for additional information

PURCHASED LOANS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	1,556	2.5%	689	3.5%	2,245	2.7%
50% - 79%	13,494	21.6%	6,358	32.0%	19,852	24.1%
80% - 119%	23,201	37.1%	5,138	25.8%	28,339	34.4%
120% >	23,701	38.0%	7,735	38.7%	31,436	38.2%
NA	490	0.8%	-	-	490	0.6%
TOTAL	62,442	100.0	19,920	100.0	82,362	100.0

Source: 2003 and 2004 HMDA Data

A sample of consumer loans originated in 2003 and 2004 was also reviewed. This sample included a mixture of 50 automobile loans, and secured/unsecured personal loans approved during this period. According to this analysis, the credit union granted 54.0% of the number and 50.0% of the dollar amount of its consumer loans to low and moderate income borrowers.

Refer to the following tables.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	#	%	#	%	#	%
<50%	10	40.0%	4	16.0%	14	28.0%
50% - 79%	6	24.0%	7	28.0%	13	26.0%
80% - 119%	8	32.0%	8	32.0%	16	32.0%
120% >	1	4.0%	6	24.0%	7	14.0%
TOTAL	25	100.0	25	100.0	50	100.0

Source: Credit Union Loan Files

PERFORMANCE CRITERIA (CONTINUED)

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	82	37.6%	31	15.1%	113	26.6%
50% - 79%	65	29.8%	34	16.5%	99	23.4%
80% - 119%	64	29.4%	45	21.8%	109	25.7%
120% >	7	3.2%	96	46.6%	103	24.3%
TOTAL	25	100.0	25	100.0	50	100.0

Source: Credit Union Loan Files

Overall, it appears that the Credit Union is lending to members of all income levels, including low and moderate-income borrowers. Based upon the analysis of residential and consumer loans by borrower income, the Credit Union meets the standards for satisfactory performance in providing credit to members of all income levels.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

A credit union whose membership by-law provisions are not based on residence is permitted to delineate its membership as its assessment area. Since Tremont Credit Union has defined its assessment area as its membership, an evaluation of credit extended within the geographic area was not conducted; as such an analysis would not be meaningful

5. REVIEW OF COMPLAINTS

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

PERFORMANCE CRITERIA (CONTINUED)

FAIR LENDING POLICIES AND PRACTICES

The policy addresses the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy. Detailed below is the Credit Union's performance as it correlates to the Division's policy.

Tremont Credit Union has 47 full and part-time employees 16 of which are minorities. The Credit Union has five full-time employees that are bilingual. The Credit Union's outreach efforts are limited due to its size and resources; however, outreach efforts are conducted on an informal basis through day to day contact with members and potential members.

As a result of the Credit Union's relationship with Members, members of Tremont Credit Union have a wide array of credit products from which they can choose. Credit products are reviewed by the Board of Directors to ensure that the credit needs of the members are met. In addition, underwriting standards are reviewed to ensure that low and moderate income members are not arbitrarily excluded from qualifying for a loan.

Due to the increasing number of elderly members, Tremont Credit Union recently became a participant in H.O.M.E. (Homeowner Options for Massachusetts Elders). Through its partnership with H.O.M.E., the Credit Union will enhance its service capacity for its elder homeowner membership. The H.O.M.E. program is a statewide, nonprofit, charitable organization dedicated to assisting older homeowners.

Tremont Credit Union has primarily marketed to its members via direct mail, counter displays at branch offices and through the Credit Union's website. In April 2005, the Credit Union began to run a series of advertisements on television. These advertisements are only broadcasted in Suffolk County which is the Credit Union's field of membership. Members are provided with credit counseling and professional financial services when necessary. The Credit Union's staff also offers personal counseling on homeownership to members on an ongoing basis.

Incorporated in Tremont Credit Union's Loan Policy is the action taken for denial. All loan applications that have been denied are reported to the Credit Committee, which is comprised of three members of the Board of Directors. The Credit Committee has the authority to approve or deny any loan request. The loan officer, upon completion of denying the application, will notify the Credit Committee and request them to review and sign the application. Members that are denied can appeal the decision verbally and or in writing for review by a senior loan officer not involved in the original decision.

Based on the above, the Credit Union's fair lending performance is satisfactory.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (150 Grossman Drive, Braintree, MA 02184)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.